



June 14, 2013

Ontario Energy Board P.O.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary
Regarding: EB-2013-0122-2014 Cost of Service Application

Dear Ms. Walli,

In response to the letter of incomplete filing received on May 31, 2013, Cooperative Hydro Embrun Inc. is filing a revision to its 2014 Cost of Service Application originally submitted to the Ontario Energy Board on May 10, 2013. The following issues have been addressed in the attached revision.

Chapter 2 Filing Requirement Reference	Description
21	<p><u>Capitalization of overhead and burden rates.</u></p> <p>Please provide a description for CHEI's capitalization of its overhead. Please also identify the burden rates related to the capitalization of costs of self-constructed assets. Furthermore, if CHEI's burden rates were changed since the last rebasing application (2010), CHEI must identify the burden rates prior to the change.</p> <p><i>CHEI Responses: Although CHEI indicated, at page 41 of Exhibit 2 of the application, that the applicant does not, nor has it ever, capitalize overhead burdens, CHEI has expanded on the evidence originally presented. The revised evidence is presented at Exhibit 2, Section E2.T2.S6 Capitalization and other asset related policies.</i></p>
30	<p><u>Employee compensation.</u></p> <p>CHEI has not provided details or explanations for compensation variances, the basis for performance (incentive and bonuses) pay, goals, measures and review processes for any pay-for-performance plans and any relevant studies conducted by or for the application (for example, compensation benchmarking studies)</p> <p><i>CHEI Responses: CHEI has expanded on the evidence originally presented to include year over year variances of salary and wages and include a reference to Benchmarking studies. The revised evidence is presented at Exhibit 4 Section E4.T2.S1 – Overview of Employee Compensation.</i></p>
32	<p><u>Purchase of non-affiliate services.</u></p> <p>CHEI should provide a copy of its procurement policy including information on such areas as the level of signing authority, a description of its competitive tendering process, and confirmation that its non-affiliate services purchases are in compliance with it. For any such transactions above the materiality threshold that were procured without a competitive tender, or are not in compliance with the procurement policy, CHEI should provide an explanation as to why this was the case, as well as the summary of the nature of the product or service that is subject to the transaction and a description of the specific methodology used in determining the vendor for historical (i.e. actuals).</p>

	<p><i>CHEI Responses: CHEI has expanded on the evidence originally presented to include a statement that the utility does not have a procurement policy in place and reasons as to why. The revised evidence is presented at Exhibit 4, Section E4.T4.S1 – Overview of Supplier Purchases</i></p>
32	<p><u>Details by asset group for historical, bridge and test years.</u> Please provide details for depreciation, amortization and depletion by asset group for the historical, bridge and test years, including asset amount and rate of depreciation or amortization. This should tie back to the accumulated depreciation balances in the continuity schedule under rate base. Please also provide a copy of CHEI's depreciation/amortization policy, if available. CHEI must ensure that the significant parts or components of each item of PP&E are being depreciated separately. CHEI must explain if it is departing from this practice. E4.T5.S2 of CHEI's application indicates that the following pages show the depreciation calculation for 2012, 2013 bridge year and 2014 test year,</p> <p><i>CHEI Responses: Depreciation schedules for 2010 and 2011 which were inadvertently omitted from the original application have been included at Section E4.E5.E2 of Exhibit 4 and at Section E2.T1.S5 of Exhibit 2.</i></p>
32	<p><u>Asset Retirement Obligations ("ARO").</u> Please identify any ARO and any associated depreciation or accretion expenses in relation to the AROs, including the basis and calculation of how these amounts were derived.</p> <p><i>CHEI Responses: A statement of AROs has been included at Section E2.T2.S1 of Exhibit 2.</i></p>
34	<p><u>Income tax returns.</u> Please file copies of CHEI's most recent federal and Ontario tax returns.</p> <p><i>CHEI Responses: The latest Income tax return has been included at Section E4.T6.S3 of Exhibit 4.</i></p>
37	<p><u>LRAMVA.</u> The Board's CDM Guidelines (EB-2012-0003) states that at a minimum, distributors must apply for the disposition of the balance in the LRAMVA as part of their cost of service applications. In support of its application for lost revenues, CHEI must file a statement indicating the most recent input assumptions available at the time of the program evaluation when calculating its LRAM amount. CHEI.</p> <p><i>CHEI Responses: The application has been revised to include the clearance (recovery) of balances in account 1576. Derivation of the LRAM claim has been included at page 51-54 of Exhibit 4 or Section E4.T7.S2. Balances have been included in the EDDVAR model. Section E8.T1.S9 of Exhibit 9 has been amended to reflect disposition of account 1568 and Exhibit 8 has been amended to include the revised DVA rate riders in its Bill Impacts.</i></p>
39	<p><u>Appendices 2-OA and 2-OB.</u> Please complete Appendices 2-OA and 2-OB for current Board approved, historical actuals, bridge, and test years.</p> <p><i>CHEI Responses: Although the table presented at E5.T1.S2 did show cost of capital parameters for historical years, Appendix Appendices 2-OB was amended to include all historical years. A revised excel version of the Appendices is being filed in conjunction with this letter. A reference reiterating that CHEI does not hold any debt instruments and that therefore Appendix 2-OA is not applicable in CHEI's case has been included at page 5 of Exhibit 5 or Section E5.T1.S2.</i></p>

47	<p><u>Standard Facilities Loss Factor ("SFLF").</u> CHEI indicated that it is fully embedded into Hydro One Networks Inc. The SFLF is 1.0340. Please explain why CHEI's SFLF is different from the 1.0340 in 2011 and 2012 on Appendix 2-R.</p> <p><i>CHEI Responses: Although this question would be better suited for interrogatories, CHEI confirms that its SFLF originates from Hydro One powerbills and as such CHEI has no control over the Hydro One SFLF.</i></p>
General	<p>The Board also requests that CHEI fix a typographical error in all material filed under Exhibit 9 Deferral and Variance Accounts. All Exhibit 9 references should begin with "E9".</p> <p><i>CHEI Responses: Exhibit 9 has been revised to rectify the typographical error in references.</i></p>
RRWF	<i>CHEI is filing a revised RRWF to fix a discrepancy in the input sheet.</i>

Excel versions of the following supporting OEB models are being filed pursuant to the Board's e-Filing Services.

EB-2013-0122 CHEI 2014 Cost of Service Application revised June 13

EB-2013-0122 CHEI 2014 EDDVAR_Continuity_Schedule June 13

EB-2013-0122 CHEI 2014 OEB Appendices June 13

EB-2013-0122 CHEI 2014_Rev_Reqt_Work_Form June 13

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,



Benoit Lamarche, General Manager
Cooperative Hydro Embrun